

Message Text

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TO AMEMBASSY TEL AVIV PRIORITY

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PASS TO WILLIAM MILLS

E.O. 11652:N/A

TAGS: TGEN/IS

SUBJECT: BINATIONAL INDUSTRIAL RESEARCH AND DEVELOPMENT
FOUNDATION (BIRDF)

REF: TEL AVIV 7176

1. THE FOLLOWING IS THE CONSENSUS OF THE U.S. MEMBERS OF
THE BIRDF BOARD OF GOVERNORS UNLESS OTHERWISE NOTED.
2. AFTER EXTENSIVE CONVERSATION WITH BLACKMAN REGARDING
PRESENT EFFORTS TO SOLICIT PROPOSALS TO BIRDF, A/S BARUCH
IS CONVINCED THAT BLACKMAN'S EFFORTS ARE ON TRACK AND THAT
SEVERAL SOLID PROPOSALS WILL EMERGE WITHIN THE NEXT
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SEVERAL MONTHS. BLACKMAN REVIEWED EMERGING PROJECTS ON A
CASE-BY-CASE BASIS PROVIDING BARUCH WITH SUBSTANTIAL DETAIL
AS TO JOINT PARTICIPANTS, NATURE OF PROPOSED R&D, AND
COMMERCIAL PRODUCT ENVISIONED. BARUCH BELIEVES BLACKMAN
HAS LEGITIMATE CONCERN REGARDING DISCLOSURE OF SAME AT
FORMAL MEETINGS ATTENDED BY ISRAELIS. CONCERN IS THAT
PREMATURE DISCLOSURE TO PRESS BY ISRAELIS WOULD JEOPARDIZE

EFFORTS AND WOULD DETER U.S. CORPORATE PARTICIPATION. CONSEQUENTLY, BARUCH HAS ASKED BLACKMAN TO PROVIDE DIRECTLY TO BARUCH, LAVIE, ADD SCIATT (FOR EMBASSY AND DEPARTMENT), ON A REGULAR BASIS,

WRITTEN STATUS REPORTS WITH SUCH REPORTS TO BE MARKED BIRDF CONFIDENTIAL. BANQUE MET WITH BLACKMAN ON BEHALF OF BERGSTEN AND SHARES THESE VIEWS.

3. BECAUSE OF ISRAELI CONCERNS REGARDING DELAYS IN BIRDF FUNDING, BARUCH STRESSED TO BLACKMAN THE IMPORTANCE OF FUNDING A FEW PHASE I GRANTS AS SOON AS POSSIBLE.

4. U.S. BIRDF GOVERNORS HAVE CONSIDERABLE CONCERN REGARDING THE DIFFERENCES IN PERSPECTIVE BETWEEN BLACKMAN AND EMBASSY REGARDING THE COST AND AVAILABILITY OF APPROPRIATE HOUSING FOR BIRDF EXECUTIVE DIRECTOR. IT IS REQUESTED, THEREFORE, THAT EMBASSY OFFER BLACKMAN FULL ASSISTANCE IN LOCATING SUITABLE QUARTERS BETWEEN NOW AND JULY 1, 1978, AT WHICH TIME OPTION ON RENTAL OF HOUSE LOCATED BY BLACKMAN EXPIRES.

5. SHOULD MORE SUITABLE HOUSING NOT BE LOCATED BY JULY 1, UNITED STATES BOARD MEMBERS FAVOR RENTAL OF HOUSE RECOMMENDED BY BLACKMAN. NEW BOARD OF GOVERNORS RESOLUTION WILL BE REQUIRED IN ANY CASE TO AUTHORIZE RENTAL OF EXECUTED LIMITED OFFICIAL USE

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TIVE DIRECTOR LODGINGS NOT ON THE PREMISES OF BIRDF AS ORIGINAL HOUSING RESOLUTION APPROVED ONLY LODGINGS LOCATED ON THE PREMISES. TEXT OF PROPOSED RESOLUTION IS CONTAINED IN SEPTTEL. NOTE THAT UNDER NEW PROCEDURES, EXECUTIVE DIRECTOR SHOULD CIRCULATE RESOLUTION TO ALL BOARD MEMBERS AT THE SAME TIME. SCIATT IS THEREFORE REQUESTED TO TRANSMIT RESOLUTION TO BLACKMAN FOR CIRCULATION. AS U.S. SIDE DRAFTED RESOLUTION, U.S. APPROVAL WILL BE FORTHCOMING QUICKLY. EVERY EFFORT SHOULD BE MADE TO HAVE THE FOLLOWING CONDITIONS INCLUDED IN THE LEASE: (1) STIPULATION THAT ALL REQUISITE PAINTING AND REPAIRS BE COMPLETED; (2) PROVISION FOR A SUBLEASE. IN SEEKING ALTERNATIVE HOUSING, PLEASE NOTE THAT THE SUITABILITY OF SAME DEPENDS BOTH UPON THE PRICE, QUALITY AND FLEXIBILITY OF THE BUILDING, AND UPON THE FLEXIBILITY OF THE LEASE ARRANGEMENTS.

6. IT IS HIGHLY UNLIKELY THAT HOUSING RECOMMENDED BY BLACKMAN, OR ANY LODGINGS NOT LOCATED ON BIRDF PREMISES WILL QUALIFY FOR EXCLUSION PROVIDED BY SECTION 119 OF U.S. TAX CODE FOR HOUSING PROVIDED ON THE PREMISES OF THE EMPLOYER FOR THE CONVENIENCE OF THE EMPLOYER. ITS ACCEPTABILITY, HOWEVER, IS ENHANCED BY POSSIBILITY THAT SECTION

911 OF U.S. TAX CODE WILL BE REVISED SO AS TO REDUCE SUBSTANTIAL TAX ON HOUSING PROVIDED U.S. CITIZENS EMPLOYED OVERSEAS, WHETHER OR NOT THE HOUSING IS PROVIDED FOR THE CONVENIENCE OF THE EMPLOYER.

7. IT IS REQUESTED THAT SCIATT INFORM ISRAELIS OF CHANGE IN TAX SITUATION. NOTWITHSTANDING POSSIBLE REVISION OF SECTION 911, RENTAL OF LODGINGS NOT ON BIRDF PREMISES WILL LIKELY INCREASE ORIGINAL ESTIMATES OF COSTS ASSOCIATED WITH EMPLOYMENT CONTRACT AND HOUSING PROVISION. AS SOON AS REVISED COST ESTIMATES ARE PREPARED, THEY WILL BE CABLED TO EMBASSY. REQUEST ALSO THAT SCIATT STRIVE TO GAIN ISRAELI CONCURRENCE IN PROPOSED RESOLUTION. THE IMPORTANCE OF RESOLVING HOUSING SITUATION AS SOON AS POSSIBLE LIMITED OFFICIAL USE

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IS STRESSED. OPPORTUNITY COSTS ASSOCIATED WITH BLACKMAN'S CONTINUED EXPENDITURE OF TIME TO LOCATE HOUSING ARE TOO GREAT. BLACKMAN MUST BE FREE TO PURSUE OTHER BIRDF BUSINESS ON FULL-TIME BASIS.

8. REGARDING BLACKMAN'S DESIRE TO APPLY FOR "CHARITABLE INSTITUTION" STATUS FOR THE BIRDF, PLEASE NOTE THAT THE WORD CHARITABLE IS IN THIS CONTEXT A TERM OF ART. BLACKMAN IS REFERRING TO THE POSSIBILITY OF APPLYING FOR DESIGNATION AS A NOT-FOR-PROFIT CORPORATION UNDER SECTION 501C3 OF U.S. TAX CODE, A STATUS RESERVED ONLY FOR SCIENTIFIC AND EDUCATIONAL INSTITUTIONS. WHETHER OR NOT BIRDF IS ELIGIBLE FOR SUCH STATUS REMAINS PROBLEMATIC DUE TO THE PARTICULAR INSTITUTIONAL CHARACTERISTICS OF THE BIRDF, AND TO THE PROVISION IN THE BIRDF CHARTER THAT ALL ASSETS OF BIRDF BE DIVIDED EQUALLY BETWEEN THE TWO GOVERNMENTS SHOULD THE FOUNDATION BE DISSOLVED. OUR UNDERSTANDING IS THAT BLACKMAN WILL DROP THE MATTER SINCE THERE APPEARS TO BE LITTLE BENEFIT TO THE FOUNDATION.

9. WITH REGARD TO THE TAX STATUS IN THE UNITED STATES OF FOUNDATION EARNINGS, BLACKMAN WILL SUBMIT A WRITTEN REQUEST FOR AN IRS RULING. WE WILL ENDEAVOR TO ENCOURAGE A SPEEDY RESPONSE FROM IRS.

10. SHOULD EMBASSY HAVE ANY QUESTIONS ON ABOVE MATTERS OR OTHERS, WASHINGTON AGENCIES WOULD WELCOME A FURTHER EXCHANGE. NEWSOM

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